

Memorandum



Date: April 24, 2007

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

Agenda Item No. 12(B)5

From: George M. Burgess
County Manager

Subject: Report on a Change in Policy Regarding Maximum Purchase Price Under
Homeownership Assistance Program

This memorandum serves to inform of a change in policy regarding the maximum purchase price limit applicable to the Homeownership Assistance Program (second mortgage assistance) funded by Documentary Stamp Surtax (Surtax), State Housing Initiative Partnership (SHIP), and federal HOME monies.

Background

In addition to local administration of federal HOME funds, there are two main programs administered by the County to promote affordable housing. Miami-Dade Housing Agency (MDHA) administers the Housing Development Assistance Program, which involves construction-lending to developers with Surtax and SHIP funds. This program provides capital awards to for-profit and not-for profit housing developers through a competitive process for the creation of affordable housing units for homeownership and multi-family rental units, either through new construction or rehabilitation.

The Homeownership Assistance Program, funded by the Surtax, SHIP and HOME Programs, offers mortgage assistance to qualified very low, low and moderate income homebuyers, who are pre-qualified by area lenders and then referred to the County for additional mortgage assistance. The Surtax funds are limited to assisting Miami-Dade homebuyers with incomes of 140 percent of area median income (AMI) or less, while SHIP is limited to assisting homebuyers at 120 percent of the AMI and HOME funds are limited to assisting households at 80 percent of AMI. Recently, the Board approved a Memorandum of Understanding (MOU) between MDHA and the Housing Finance Authority (HFA), authorizing the HFA to administer the Homeownership Assistance Program

Both the Housing Development Assistance Program and the Homeownership Assistance Program utilize purchase price limits.

Housing Development Assistance Program

The County has identified a continuing need for production of extremely affordable homeownership housing stock. Therefore, the maximum sales price for any homeownership unit for which Surtax or SHIP funds are awarded to a for-profit or non-profit developer to defray development costs will remain at \$225,000.

Change in Price Limit Policy for Homeownership Assistance Program

Under the Homeownership Assistance Program, homebuyers are pre-qualified by area lenders, who refer the loan applicant to the County for additional mortgage assistance. Qualified homebuyers may utilize the Homeownership Assistance Program to purchase homes available on the open housing market as well as those produced under the County's housing development programs. The County has been utilizing the same \$225,000 price cap applicable to developer-generated units (i.e. subsidized by the County during rehabilitation or construction) for the Homeownership Assistance Program. This purchase price limit of \$225,000 is substantially below the current median sales price of housing in Miami-Dade County. This \$225,000 price cap limits homeownership opportunities for those who may be lender-qualified to purchase a home valued at more than \$225,000 in the open market and discourages such households from seeking assistance under the Homeownership Assistance Program. Far too often, income-eligible families needing a home have contacted the County for assistance, but have been denied because the value of the home exceeds \$225,000.

To maximize homeownership opportunities under the Homeownership Assistance Program, the County is adjusting the maximum purchase price to allow income-eligible homebuyers to qualify for second mortgage assistance if buying a home that is valued greater than \$225,000. The figure will now be tied to a price limit formula based on federally published median sales prices for Miami-Dade County, as set forth under the statutory rules governing SHIP and HOME funds. This new price setting policy will enable the Housing Finance Authority to assist a greater number of very-low, low and moderate income homebuyers seeking to purchase homes in today's market.

The maximum amount of program assistance to an individual homebuyer are subject to subsidy limits.

Maximum Purchase Price Setting Formula

HFA will adopt a standard formula by which to make an annual adjustment to the maximum sales price policy in order to respond to the market conditions faced by Program-eligible homebuyers. Rather than expend program funds on an annual independent market analyses, HFA found it best to rely upon federally published median sales prices. To ensure compliance with and maintain consistency across funding sources that support the Homeownership Assistance Program, HFA has adopted the formula below.

The maximum purchase price limit under the Homebuyer Assistance Program shall be adjusted annually at the same time each year at the start of the SHIP Program fiscal year. The maximum purchase price shall be the lesser of the following in effect on the first day of the SHIP Program fiscal year (July 1):

- (a) 90 percent of the median area purchase price established by the U.S. Treasury Department); or
- (b) The Single Family Mortgage Limit under Section 203(b) of the National Housing Act.

Under SHIP regulations, the maximum purchase price or value may not be greater than 90 percent of the median area purchase price established by the U.S. Treasury Department. The maximum purchase price allowed for Miami-Dade County under this statutory formula is currently \$429,619.50, as set forth under Revenue Proclamation 2006-17.

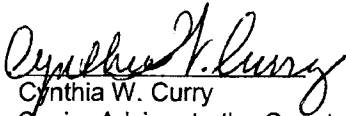
However, federal statutory provisions governing the use of HOME funds towards homeownership assistance also set forth a purchase price limit. The Single Family Mortgage Limits under Section

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203(b) of the National Housing Act (12 U.S.C. 1709(b) is currently \$362,790, which falls below the most recently reported median area purchase prices.

Based on the above formula, the maximum purchase price limit under the Homebuyer Assistance Program shall be \$362,790. This price limit will be subject to revision per the above price limit formula on July 1, 2007. HFA has adopted this policy change in consultation with MDHA and pursuant to Section 29-7(E)(1) of the Miami-Dade County Code, authorizing the County Manager or designee to amend Surtax guidelines. This price cap formula is effective immediately as it applies to the use of Surtax monies under the Homeownership Assistance Program.

As for SHIP monies, this price cap formula is set forth in the County's Local Housing Assistance Plan (LHAP) for FY 2007, 2008 and 2009, which must be approved by the Board and submitted to the Florida Housing Finance Corporation by May 2, 2007. The LHAP is being submitted to the Board for approval as a separate item. Once approved, this price limit formula will go into effect July 1, 2007 for SHIP funds.



Cynthia W. Curry

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